(f) The Government should take necessary action to save the first premier development financial institution by way of infusion of funds.

(c) The Government sought the comments of the IFCI Ltd. on the report of the All India Industrial Finance Corporation Employees Association and they have explained as follows:

(i) Recovery of loan under usual route of litigation is not cost effective. Hence OTS are entered for realisation of maximum possible amount having regard to the time value of money;

(ii) The investment in Foremost Factors Ltd. (FFL) was a strategic decision based on the suggestion of consultants of IFCI viz. M/s. Arther Anderson & Associate.

(iii) In case of Vetrotech India Ltd. (VTIL), in view of the wide difference between the negotiated price and the current market price of the shares which was to be acquired by IFCI, the proposal is being taken to the Board again.

(iv) In cases of AVI packaging Ltd., Shalimar Synthetics Ltd. etc. where creation of assets out of disbursement made by the Institution were found wanting, the staff accountabilities were fixed and disciplinary action taken.

(v) In certain cases, the exposure limit have been exceeded which were mainly due to additional assistance sanctioned for IDC, to complete the project the change in RBI guidelines on calculation of exposure norms, besides reduction of net worth of IFCI.

(vi) The purchase of building of IVCF was for its commercial benefit.

(vii) IFCI exercised call option for early redemption of high cost borrowings and its first time failure to meet its obligation was due to certain recent developments in the money market.

Merger of IFCI with SBI

†2713. SHRIMATI CHANDRA KALA PANDEY:
SHRIMATI SAROJ DEBEY:

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

†Original notice of the question was received in Hindi.

(a) whether Government propose to merge Industrial Finance Corporation of India Ltd. (IFCI) with State Bank of India and Life Insurance Corporation of India keeping in view the financial crisis in IFCI;

(b) if so, the details thereof; and

(c) if not, the steps being taken by Government to ensure job-security of the staff of IFCI?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) No, Sir.

(b) and (c) Does not arise.

Collection of tax on services

2714. SHRIMATI AMBIKA SONI: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether States will not get the power for collecting tax on services with introduction of VAT on April 1, 2003;

(b) if so, what are the main reasons for the same;

(c) whether States have objected to this issue; and

(d) if so, by when final decision in this regard is likely to be taken?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) to (d) The States have taken a unanimous decision to replace their existing sales tax systems with a Value Added Tax (VAT) System from 1st April, 2003. In this context, also to widen their tax base, the States have suggested that they should be enabled to collect tax on services. In the Conference of Chief Ministers convened by the then Union Finance Minister on 5th July, 2001, it was decided, *inter-alia*, that while the issue of levy of VAT on services would need to be studied further, this need not be a precondition for introduction of VAT. Accordingly, appropriate action in this regard has been initiated by the Central Government.